



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER OF PATENTS AND TRADEMARKS
Washington, D.C. 20231
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/524,189	03/13/2000	Forrest N. Krutter	10106/4	6269

757 7590 04/09/2003

BRINKS HOFER GILSON & LIONE
P.O. BOX 10395
CHICAGO, IL 60611

EXAMINER

NGUYEN, DINH X

ART UNIT	PAPER NUMBER
----------	--------------

3626

DATE MAILED: 04/09/2003

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/524,189

Applicant(s)

KRUTTER ET AL.

Examiner

Dinh X. Nguyen

Art Unit

3626

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address.

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 27 January 2003.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☐ Claim(s) 1-11 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-11 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- 1) ☐ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____.
- 4) ☐ Interview Summary (PTO-413) Paper No(s). _____.
- 5) ☐ Notice of Informal Patent Application (PTO-152)
- 6) ☐ Other: _____.

DETAILED ACTION

Specification

Applicant's amendment to the abstract has overcome the objection made in the previous office action. The objection is hereby withdrawn.

Claim Objections

The objection to claim 1 with respect to the use of "said values" at line 8 is withdrawn. The "said values" will be interpreted as both the asset value and the liability value of the insurance company, as stated in the previous line in the claim.

Claim 10 remains objected to with respect to the typographical error stated in the previous office action. (At claim 10, line 2 of subparagraph g), "at" is unclear since it is underlined. It appears that this is a typographical error. Appropriate correction is required.) Applicant has authorized Examiner to correct the error. However, Examiner's group policy require any changes to the claim language are to be made by Applicant officially via amendment, unless it is in a later stage in prosecution using an Examiner's Amendment.

Applicant's response dated 27 January 2003 has been received. However, based on recent changes in policy within the Group, Examiner regrets that a new office action based on current 35 USC 101 case law is applicable to the pending claims. Any arguments addressed by Applicant in the response dated 27 January 2003 will be

Art Unit: 3626

addressed by Examiner in due course accordingly. The art rejection made in the previous office action is reiterated below for Applicant's convenience. All prior art have been cited in the previous office action.

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1-11 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The basis of this rejection is set forth in a two-prong test of:

- (1) whether the invention is within the technological arts; and
- (2) whether the invention produces a useful, concrete, and tangible result.

For a claimed invention to be statutory, the claimed invention must be within the technological arts. Mere ideas in the abstract (i.e., abstract idea, law of nature, natural phenomena) that do not apply, involve, use, or advance the technological arts fail to promote the "progress of science and the useful arts" (i.e., the physical sciences as opposed to social sciences, for example) and therefore are found to be non-statutory subject matter. For a process claim to pass muster, the recited process must somehow apply, involve, use, or advance the technological arts.

In the present case, claims 1-9 only recite an abstract idea. The recited steps do not apply, involve, use, or advance the technological arts since all of the recited steps can be performed in the mind of the user or by use of a pencil and paper. These steps

only constitute an idea of how to pay an insolvent insurance company's liabilities through a reinsurance agreement or other indemnification arrangements.

With respect to claims 10 and 11, the following is applicable. As to technological arts recited in the preamble, mere recitation in the preamble (i.e., intended or field of use) or mere implication of employing a machine or article of manufacture to perform some or all of the recited steps does not confer statutory subject matter to an otherwise abstract idea unless there is positive recitation in the claim as a whole to breathe life and meaning into the preamble. Regarding the body of the claims, mere intended or nominal use of a component, albeit within the technological arts, does not confer statutory subject matter to an otherwise abstract idea if the component does not apply, involve, use, or advance the underlying process. The steps performed in claims 10-11 for a software method can be performed in an equivalent manner by hand and paper and the inventive features as suggested by Applicant in the specification, the use of an indemnifying agent and determining a specified or fixed payment, do not strictly require use of a computer or any technological art.

Although the recited process produces a useful, concrete, and tangible result, since the claimed invention, as a whole, is not within the technological arts as explained above, claims 1-11 are deemed to be directed to non-statutory subject matter.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Claims 1-11 are rejected under 35 U.S.C. 103(a) as being unpatentable over McCormack et al., USPN 6,049,773 in view of Hammond et al., USPN 5,613,072 or Roberts et al., USPN 4,839,804 or Kelly et al., USPN 5,613,072 or Butler et al., "The International Journal of Insurance Law (all cited in Applicant's IDS except for Kelly et al. and McCormack et al.).

With respect to claims 1-11, McCormick et al. disclose a method and system for reinsurance, paying insolvent insurance companies' liabilities. Examiner notes that the practice of reinsurance is well known in the art with respect to Applicant's claims except for using a "third party" indemnify agent who is not a State Liquidator who is required by law to a fixed dividend. McCormick either discloses the general aspects of reinsurance as claimed by Applicant (except for using a "third party" indemnify agent who is not a State Liquidator who pays a fixed dividend), and examiner takes official notice that such practices are well known in the art. See McCormick at abstract and figure 3 for example. As noted in Applicant's specification, the process of reinsurance for long-tail claims is that one usually go to a State Liquidator which by law pays off a specific fixed dividend for long-tail claims, instead of a "third party" indemnifying agent.

However, as laws of certain states have changed recently allowing otherwise, Applicant is simply trying to claim a method and system for reinsurance using a "third party" indemnify agent who may pay dividends that are not fixed by law, that is recently allowed by state laws. The acts of using a third party as an agent for tasks that is

delegated by contract is well-settled in state law and permissible within the law, may it be outside the area of insurance law. The acts will be specific toward the contractual obligation and agreement between an agent and its principal. Examiner takes official notice that the acts delegated to the agent by which Applicant's claims are directed to are acts that are well-known in the insurance business, such as payment of dividends, assessment of the insolvent insurance company, etc. and would have been obvious to one of ordinary skill in the art.

As to the process of using an indemnify agent, Roberts et al. (see abstract), Hammond et al. (abstract), Kelly et al. (abstract and figure 7) all teaches that certain aspect of the reinsurance business may be carried out by agents, even though it may not involved paying different dividends not permissible under state laws. Note for example that in the disclosure of Kelly et al., that a trust is created to carry out certain duties. Also, see Butler et al. ("The International Journal of Insurance Law") at pages 31 and 39 which suggests that it would be better for the law to change such that indemnification in reinsurance cases for long-tail claims are fairer. This would suggest that indemnifying agents outside of the State Liquidator be involved, and that different percentage of allowed claims (different amount of dividends) maybe should be paid in order to make it fairer for the claimants. Thus, to use an indemnify agent capable of paying different values of dividends, as permissible by recent changes in the law, and combining it with the motivation of using a third party indemnify agent as taught by Roberts et al., Hammond et al., Kelly et al., or Butler et al., to the common reinsurance

practice of McCormack et al. and others, would have been obvious to one of ordinary skill in the art in order to make it fairer to claimants.

Examiner note that if a recently passed state law were to allow payment of claims that involve reinsurance for insolvent insurance companies dealing with long tail claims and allowing a different percentage of dividend being paid, instead of that previously allowed only by a State Liquidator issuing payments of a set dividend percentage, and Applicant claims such a method, then it would prevent the companies within the reinsurance business to practice the new method set forth by the new state law. This would defeat the objective of the new state law of making it more fair for claimants in such cases to receive their dividends.

The prior art made of record and not relied upon is considered pertinent to applicant's disclosure. Hammond et al., USPN 5,712,984 (as disclosed in Applicant's IDS) has similar disclosure as the '072 patent cited above. White's commentaries ("Receivership: A Generational Commitment..." at pages 16-17; "Truncation and Reinsurer..." at page 7; and "Aggiornamento: A Tonic..." at page 2) all suggests the inequities that exist in certain current state laws which do not allow payment of dividends not set out by a State Liquidator. This would suggests that the payment of a different amount of dividends not set out by a State Liquidator, such as one is set out higher by an indemnify agent would be fairer and should be implemented if allowed by new state law.


Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Dinh X. Nguyen whose telephone number is (703) 305-3522. The examiner can normally be reached on Monday to Friday and alternate Fridays.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Joseph Thomas can be reached on (703) 305-9588. The fax phone numbers for the organization where this application or proceeding is assigned are (703) 305-7687 for regular communications and (703) 305-7687 for After Final communications.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is (703) 308-1113.

DXN
April 2, 2003


DINH X. NGUYEN
PRIMARY EXAMINER